



"City of Choice"

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**Incentives For Economic Development Activates and Projects  
For The City of Cibolo Texas  
Adopted by City Council on October 25, 2011**

**Mission Statement:**

"To attract, retain, and expand jobs and development for Cibolo,  
that enhances quality of life"

**City of Cibolo Incentives:**

- Capital Investment Grant Program for businesses open 3 years or longer
- Tax Phase in Guidelines with Guadalupe County if possible
- Tax Abatement Program
- Impact Fee reduction or waiver if possible
- Building Permits fee reduction
- Expedited Plan Review process
- Expedited Permit Process
- Pre construction activity permitted prior to permit being issued if approved by City Manager only
- Economic Development Staff assistance with utility (GVEC & local gas provider, tel communications and internet providers, etc.)
- Tax Increment Financing Program established
- Inner City Reinvestment Program established
- Partnership with the Small Business Administration (SBA 504 & 7A program with local bankers)
- Free Port Exemption established
- Chapter 380 Agreements
- Coordination with the U S Department of Commerce to market Cibolo companies overseas utilizing U S Export Assistance Program.

***To Create Primary Employment/Jobs: companies that produce products or services that are used ultimately in statewide, national or international markets.***

### **Guadalupe County Tax Abatement & Reinvestment Zones Incentives:**

- Guadalupe County supports the City of Cibolo's efforts in increasing commercial tax base and jobs. The benefit to Guadalupe County is that the City of Cibolo Staff is working on their behalf to increase Ad Valorem property tax revenue to increase the County's budget.

### **State of Texas Incentives:**

- For examples: Texas Enterprise Fund, Emerging Technology Program, Texas Capital Fund Infrastructure, etc.

### **Alamo Worksource Solution:**

- Alamo Worksource Solution: job recruitment, training and grant programs to increase skilled workforce and to assist with addition leverage funding to promote job growth and stability.

### **Introduction:**

Cibolo is committed to the promotion of quality development in all parts of the City and to improving the quality of life for its citizens. In order to meet these goals, the City Council will consider providing a property tax phase-in, sales tax rebates and other incentives to stimulate economic development in Cibolo and its Extraterritorial Jurisdiction (ETJ). The City will consider providing incentives to appropriate businesses in accordance with the procedures and criteria outlined in this Policy. Prospective businesses are strongly encouraged to discuss potential incentives with City officials and staff members early in the stages of a development, since a project is not eligible for incentives under this Policy if a building or site development permit has been issued for the project before an incentive application is submitted and approved.

### **1. Eligibility Criteria:**

The following criteria must be met for an applicant to be considered eligible for property tax phase-in and any other economic development incentive. Additional criteria for specific incentives are listed below under their individual description or with the issuing agency if not the City of Cibolo in this Policy:

- a. The proposed development and/or redevelopment must create and maintain or retain at least 5 jobs, and/or
- b. An investment by the applicant of at least \$75,000 in property improvements is required.
- c. In addition to meeting a or b above, the project must conform to the requirements of the City's Master Plan, Land Development Code and other applicable City ordinances (except to the extent waived or modified in a development incentive agreement in accordance with this Policy).

## **2. Evaluation Criteria:**

The following criteria will be considered in determining what level of incentives will be provided to the applicant. Preference will be given to businesses that use local suppliers, contractors and labor force, and require no new public improvements.

- a.** Expansion of the local tax base.
- b.** Creation of permanent employment opportunities. The number and types of jobs to be created or retained (permanent full-time) and whether or not benefits for employees will be provided.
- c.** Whether the architecture and site design including landscaping and public amenities meets or exceeds the minimum requirements in the City Code.
- d.** Whether City utilities will be used.
- e.** The types and cost of public improvements (e.g. streets, water, wastewater, drainage) and services (e.g. fire, police) which will be required of the City.
- f.** The types and value of public improvements which will be made by the applicant.
- g.** The financial capacity of the applicant to undertake and complete the proposed project.
- h.** The extent to which the proposed project will make use of local contractors, suppliers and labor force (from the Cibolo area) during construction and during operation.
- i.** Appropriate type of activity for the designated zoning (e.g. office, retail, etc.).
- j.** The market conditions and growth potential for the business activity.
- k.** The method or methods which will be available to recapture property tax revenue lost as a result of entering into a tax phase-in agreement with the applicant if the applicant fails to fulfill its responsibilities under the agreement.
- l.** The amount of time necessary to complete the project and create the jobs which are to be provided by the applicant.
- m.** The extent to which the proposed project carries out the goals and objectives of the City's Master Plan.
- n.** A comparative analysis of the costs of the incentives requested to the benefits provided to the City by the applicant's development or expansion.
- o.** Other incentive programs for which the applicant has applied or is qualified.

p. Any other factors that the City Council finds helpful and relevant to accomplishing the City's economic development objectives.

### **3. Case-by-Case Evaluation:**

Nothing in these policies, procedures or the application form shall imply or suggest, or be construed to imply or suggest that the City of Cibolo is under any obligation to provide any incentive to any applicant. All applicants for tax phase-ins and/or other economic development incentives shall be considered on an individual case-by-case basis.

#### **Description of Incentives:**

##### **1. Business Services**

**A. Economic Development Cibolo (EDC):** Business and development assistance is provided by the office of EDC, the economic development services provider for the City of Cibolo. EDC is charged with business recruitment, job creation, business retention and expansion.

**B. Development Director:** The City of Cibolo offers development services coordination and assistance through their Development Director.

**C. Cibolo Area Chamber of Commerce:** The Cibolo Area Chamber of Commerce provides these additional services to aid with relocations and expansions:

- Relocation assistance for key personnel
- Special banking and mortgage assistance
- Job fairs to attract employees
- Residential real estate assistance
- Community orientation, introduction and tours
- Spouse employment assistance
- Welcome and announcement/press conference coordination
- Identification of business support services

**D. Cibolo Business Owners Association:** Business and networking assistance is provided by the Cibolo Business Owners

**E. Cibolo Manufacturers Association:** A forum for local industry to communicate common needs, problems and objectives is provided by the Cibolo Manufacturers Association.

**F. Service Corp of Retired Executives (SCORE):** SCORE provides business planning and counseling services to small businesses and start-up companies.

**G. Small Business Development Center:** Small business counseling services for existing and start-up businesses including: market research, financial analysis, and business plan assistance are provided through the Small Business Development Center (UTSA).

**H. Texas Manufacturing Assistance Centers (TMAC):** TMAC exists to enhance the competitive position of the state's manufacturing sector. Manufacturing specialists work with small to medium-sized manufacturers, providing technical support and implementing best business practices. Typical areas covered include cost management, productivity improvements, environmental assistance, software systems selection and application, and e-commerce decisions.

**I. Texas State University Internship Program (TSU):**

TSU provides student and faculty internship opportunities in all degree plans. You may contact them at 512.245.2645.

**J. University of Texas at San Antonio Graduate Level Internship Program (UTSA):**

Establishment of a program that will be mutually beneficial to the City of Cibolo/UTSA/Graduate Candidate relating to governmental administration & management.

**2. Local Incentives:**

**A. Development Fee Waivers:** The City is willing to consider reducing or eliminating fees including building permit fees, inspection and contractor's fees, site development permit fees, utility connection fees, and processing fees for platting, zoning and land use applications. This fee waiver incentive does not include the waiver of impact fees.

**B. Facilitation of Permits:** Cibolo is eager to work with companies locating or expanding in the City, and the staff will make every effort to expedite the permitting process and, when possible, meet necessary timelines.

**C. Foreign Trade Zone (FTZ):** FTZs are sites in or near a U.S. Customs port of entry where foreign and domestic merchandise is generally considered to be in international trade. Goods can be brought into a zone without formal Customs entry or without incurring Customs duties or excise taxes unless and until they are imported into the United States. The purpose of the Zone is the creation of jobs realized from the cost savings from delayed or forgiven tariffs.

**D. Freeport Exemption:** Businesses involved in the export of tangible property such as goods, wares, and merchandise may be eligible for the Freeport Exemption. This incentive is designed to exempt some or a company's entire inventory from property taxes. To be eligible, property must be assembled, stored, manufactured or fabricated locally and then exported out of the state within 175 days after the property was

acquired or imported into the state. This is an exemption available to any company that conforms to qualifications set out by state law.

### **E. Historically Underutilized Business (HUB) Zone Empowerment**

**Contracting Program:** This program provides federal contracting assistance for qualified small businesses that are located in HUB zones, increase employment opportunities, stimulate capital investment in those geographic areas and empower communities through economic leveraging.

#### **Eligibility Criteria:**

1. The business must be registered as a small business per the U.S. Small Business Administration (SBA) standards.
2. The business must be owned and controlled by a U.S. citizen.
3. The principal place of business should be located in a HUB Zone.
4. At least 35% of the business' employees must reside in a HUB Zone.

**F. Property Tax Phase-In Program:** The City of Cibola offers property tax phase-ins for new or expanded commercial or industrial construction, as well as business personal property taxes associated with real property. City property tax phase-ins are granted through a contract approved by the City Council. After qualification, the City will assist applicants in seeking phase-in agreements with the other taxing authorities.

#### **Eligibility Criteria:**

##### **1. Micro Business and Small Business Criteria:**

- a. Proposed development and/or redevelopment must create, maintain, or retain at least five (5) jobs.
- b. Twenty percent (20%) of the job salaries for the created, maintained, or retained five (5) positions must pay hourly employees over \$17 per hour base rate at the straight time rate or pay salaried employees over \$36,000 annually.
- c. Applicant can be an existing business and must provide financial statements and/or income tax returns.
- d. Applicants must have a business plan with appropriate projected financial statements.
- e. Capital investment by applicant must equal at least \$250,000.
- f. Start-up businesses will be considered on case-by-case basis.

**2. Medium and Large Business Criteria:**

- a. Proposed development and/or redevelopment must create, maintain, or retain at least ten (10) jobs.
- b. Twenty percent (20%) of the job salaries for the created, maintained, or retained ten (10) positions must pay hourly employees over \$17 per hour base rate at the straight time rate or pay salaried employees over \$36,000 annually.
- c. Temporary positions will not be considered as full-time positions for tax phase-in purposes.
- d. Applicant can be an existing business and must provide financial statements and/or income tax returns.
- e. Capital investment by the applicant must equal at least \$1,000,000.
- f. Start-up businesses will be considered on case-by-case basis.

**Minimum Required Investment:**

An applicant requesting a tax phase-in shall agree as a condition of any tax phase-in ultimately approved by the City Council to expend a certain minimum amount of funds on real or personal property improvements and to provide a certain number of jobs, as provided in the table below:

**Minimum Required Real and Personal Property Investment and Job Creation**

<b>% if increased Value to be abated</b>	<b>Micro &amp; Small Business Investment Required</b>	<b>Medium &amp; Large Business Investment Required</b>	<b>Number of Jobs Created</b>
5%	\$250,000	\$1,000,000	0-2
10%	\$300,000	\$1,250,000	2-3
15%	\$350,000	\$1,500,000	3-4
20%	\$425,000	\$1,750,000	4-5
25%	\$550,000	\$2,000,000	5-10
30%	\$650,000	\$2,500,000	11-20
35%	\$775,000	\$3,000,000	21-30
40%	\$925,000	\$3,600,000	31-40
45%	\$1,000,000	\$4,250,000	41-50
50%	\$1,250,000	\$5,000,000	51-60
55%	\$1,500,000	\$6,000,000	61-65
60%	\$1,750,000	\$7,250,000	66-70
65%	\$2,000,000	\$8,600,000	71-80
70%	\$2,500,000	\$10,350,000	81-90
75%	\$3,000,000	\$12,250,000	91-95
80%	\$3,600,000	\$14,750,000	96-100
85%	\$4,250,000	\$17,750,000	101-110

90%	\$5,000,000	\$21,300,000	111-120
95%	\$6,000,000	\$25,000,000	121-130
100%	>\$6,000,000	>\$25,000,000	>130

**Additional Considerations**

If upon initial application a project qualifies for a tax phase-in under the guidelines set forth in this policy, the City Council may consider granting an additional 5% abatement for each one of the following factors provided, however, the total tax phase-in will not exceed 100% annually or continue for a period of more than ten (10) years. No applicant may receive credit for more than five (5) of the following factors:

- The project will occupy a building that has been vacant for at least two (2) years.
- The project will create high-skilled, high-paying jobs as documented by the applicant.
- The project will involve a significant relationship with Texas State University & City of Cibolo.
- At least 25% of the new jobs created by the project will be filled by Cibolo residents.
- The project will donate significant materials/equipment to either the Schertz Cibolo Universal City Independent School District.
- The project will create improvements in the Cibolo Downtown Master Plan area.
- The project is an international or national headquarters facility.
- The project wages are above the \$17 per hour base rate at the straight time rate wage or the \$36,000 annual salary wage.
- The applicant provides health and/or other benefits to their workforce.
- The project significantly uses local contractors and suppliers both during construction and in its business operation.
- The business is a certified Small, Minority, or Woman owned business.

**G. Public Improvement District (PID):** PIDs allow a City to levy and collect special assessments on property within the City or its Extraterritorial Jurisdiction (ETJ). A PID may be formed to provide services such as health and sanitation, water and wastewater, mass transit, public safety or security services, etc.

**H. Sales Tax Rebate Incentives (Local & State Government):**

**Eligibility Criteria:**

In addition to the eligibility criteria for incentives listed above, a project for which sales tax rebates are requested must meet the following minimum requirements:

1. The project must either:
  - Result in a minimum increased taxable value for the City of \$25,000,000 in real and business personal property (excluding inventory and supplies); or
  - Result in a minimum increased taxable value for the City of \$250,000 in real and business personal property (excluding inventory and supplies) in the Downtown Zoning District; or

- Result in a minimum increased taxable value for the City of \$15,000,000 in real and business personal property (excluding inventory and supplies) for the redevelopment-but not relocation-of existing businesses; or
- Will result in a sales tax increase of at least \$100,000 to the City over the most recently completed fiscal year.

Note: An increased taxable value qualifier may be waived as consideration for a pioneering retail development anticipated to spur significant additional investment in a desired location or if development is proposed for an underutilized, obsolete industrial building in the downtown area where redevelopment is expected to stimulate additional development in the surrounding area.

2. In addition, the project must:

a. Qualify as a target industry according to these policies and procedures; or

b. Make a unique or unequaled contribution to development or redevelopment efforts in the City of Cibola, due to its magnitude, significance to the community or aesthetic quality.

3. In addition, if the project involves new development, it must serve a regional market.

**Additional Considerations:**

Other factors to be considered by the City Council in determining whether to authorize an agreement for sales tax rebates are:

1. The number and types of jobs to be created or retained (full-time vs. part-time)-describe wages and indicate if insurance benefits are provided.

2. Whether City utilities will be used.

3. Whether the project incorporates high quality architecture and site design, including landscaping and public amenities, beyond the minimum required by the City Code as represented in architectural drawings, site plans and landscaping plans.

4. The financial capacity of the applicant to undertake and complete the proposed project.

5. Whether the applicant has applied or is qualified for other incentive programs.

6. The market conditions and growth potential for the project's business activity.

7. Any other factors the City Council finds helpful and relevant to accomplishing the City's economic development objectives.

## **Level of Incentives**

Incentives established for any project will be provided to the extent that the revenue realized by the City and attributable to the project exceeds a minimum amount established in the Economic Development Agreement to be entered into by the City and the applicant. The public benefit or amount of revenue realized by the City and attributable to the project must equal or exceed the value of any incentives granted under the application. The City will not rebate more than 75% of sales taxes in any year.

**I. Cibolo Special Downtown Reinvestment Zone:** Provides for a tax phase-in, on a case-by-case basis, within the Central Business Area downtown. The City has been designated as a Texas Main Street City. The Main Street program has a façade improvement grant that can be used for such things as signage or new canopies.

## **Historic Downtown Cibolo Economic Incentives**

Cibolo has been actively involved in the Texas Main Street Program s. This program promotes economic revitalization of an historic downtown through historic preservation and the program's Four-point Approach to Design, Promotions, Economic Restructuring and Organization. To encourage reinvestment in downtown Cibolo the following programs are in place.

- 10% or 20% Federal Tax Credits. Properties located in the National Register Historic Commercial District are eligible for consideration for this incentive. Tax Credit projects involve major repairs and restoration work and approval from the Texas Historic Commission. Tax credits are not available for new construction.
- Tax Abatement. This provides for a five-year, 100% abatement of city taxes on the value of improvements made to a property in the downtown historic district. It is anticipated that Guadalupe County will support revitalization in downtown Cibolo by offering 50% abatement on improvements for the same five-year period.
- FIX-IT Façade Grants. Downtown properties can apply for grants to improve the outside of a building. This can include paint, window repair, signage and canopy work. Property owners are eligible to receive up to 50% reimbursement or a maximum \$1,000 reimbursement for improvements.
- LOW INTEREST LOAN. Several banks participate in a low interest loan program providing up to \$35,000 below prime rate for improvements made to properties in the downtown historic district. These can be improvements made to the exterior and/or interior of the property.

Downtown property, both for sale or lease, tends to be available at a lower rate than other nearby cities. A variety of space is available ranging from historic homes to multi-story commercial buildings. Larger-scale investment opportunities for combined retail, office and residential use are available.

**J. Tax Increment Reinvestment Zone:** In the state of Texas, a TIRZ may be city-initiated or petitioned by property owners. A TIRZ may be petitioned when property owners constituting more than 50% of the appraised value of the area submit a petition to the City. A TIRZ may be created for one of three reasons:

- to address inner city deterioration;
- to develop raw land in suburban fringe areas; or
- to proactively address the decline of major activity centers

A TIRZ sets a geographic boundary around a particular area within a city. These boundaries can be used to allow for tax increment financing (TIF) or other tax-related agreements. For example, a TIRZ may be established to allow businesses within the area to apply for various kinds of tax phase-ins. In any case, a TIRZ must be set up separately and before tax increment financing may be considered. Once the TIRZ is created, then negotiations regarding any tax-related agreement can begin; it is possible to set up a TIRZ and then have it stand alone, not related to any financial agreement.

Note: The creation of a TIRZ does not in any way impact the tax rate. TIRZs have no taxing or assessment powers. Property owners within the zone will continue to pay a normally increasing tax bill.

**K. Utility Rate Reductions and Infrastructure Extensions:**

1. Standard utility incentive: The municipally-owned power, water, and wastewater departments have adopted rate policies that permit reduced rates for customer rate classifications or categories based upon usage. Agreements may be available to reduce utility rates based upon adopted usage categories.

2. Standard utility incentive: The City partners with developers on infrastructure improvements. The City's development policy commits city funds to provide for the cost of over-sizing infrastructure when deemed necessary for future development. This policy eliminates the need for developers to absorb the total cost of over-sizing "up front" and then waiting to recover a portion of the costs when future development ties into the improvements.

3. Special utility incentive: The City has the capacity and flexibility to offer qualified companies infrastructure improvements and extensions at reduced cost. Such incentives may include improvements to curbs and gutters, street paving, water and wastewater, electrical supply, and public lighting.

**L. Waiver or Modification of Development Regulations/Standards:** A development incentive agreement may include provisions for waiving or modifying City development regulations or standards. To be eligible for such a waiver or modification, a development must:

1. Be a unique and regional economic draw with projections to support major direct new tax benefits for the City that far exceed those of the typical development or business; or

2. Incorporate design or construction features or characteristics that exceed City regulations or standards in other respects; or

3. Make a unique or unequaled contribution to development or redevelopment efforts in the City of Cibolo, due to its magnitude, uniqueness to the community, or aesthetic quality.

### 3. Financial Incentives:

**A. Chapter 380 Grants and Loans:** The City Council can provide grants or loans to eligible prospects on a case-by-case basis to promote local economic development and to stimulate business and commercial activity in the City, in accordance with Chapter 380 of the Texas Local Government Code. The grants or loans can be used to facilitate the acquisition or improvement of real property, the acquisition of equipment or facilities, or other purposes directly related to economic development.

**B. Economic Development Fund:** The City Council has created a line item in the General Fund as an incentive war chest for economic development projects. The amount and availability of these funds are subject to City Council approval each budget year. Receipt of these funds by a project is considered on a case-by-case basis by City Council.

**C. Industrial Revenue Bonds:** The State of Texas Industrial Revenue Bond Program is designed to provide tax-exempt financing of land and depreciable property for eligible industrial or manufacturing projects. The Development Corporation Act allows cities, counties, and conservation/reclamation districts to form non-profit industrial development corporations or authorities on their behalf. The purpose is to issue taxable and tax-exempt bonds for eligible projects in their jurisdictions. The City of Cibolo Industrial Development Corporation acts as a conduit through which funds are channeled. Generally, all debt service on the bonds is paid by the business under the terms of a lease, sale, or loan agreement. As such, it does not constitute a debt or obligation of the City, the Industrial Development Corporation, or the State of Texas. If Revenue bonds would help a prospect, the City stands ready to assist with selecting bond counsel and working to issue the bonds.

**D. Revolving Loan Funds:** The City has available a limited amount of funds to commit to businesses. Applicants should check with the City Community Development Block Grant staff for funding availability.

**E. Tax Increment Financing (TIF):** Tax increment financing is a tax reinvestment tool that allows local governments to fund infrastructure improvements within a defined area. TIFs work by allowing taxing entities to repay the costs of improvements to a designated area with the future tax revenues generated by increased property values. TIFs can be created on a case-by-case basis by the City Council.

#### **4. State and Federal Incentives:**

The City of Cibolo can assist businesses with the State application process for the following programs:

- A.** Ad Valorem/Property Tax Exemption
- B.** Bonds
- C.** Business Express Loan
- D.** Economic Development and Diversification In-State Tuition for Employees
- E.** Property Tax Rule 9.105
- F.** Renewable Energy Incentives
- G.** Sales and Use Tax Exemptions
- H.** Section 108
- I.** Self-Sufficiency Fund
- J.** Skills Development Fund
- K.** Small Business Administration 504 Loan
- L.** Small Business Administration 7(a) Loan
- M.** Small Business Community Express Loan
- N.** Small Business Patriot Express Pilot Loan
- O.** Southwest Trade Adjustment Assistance Center Grant
- P.** State Infrastructure Bank (SIB) Financing
- Q.** State Permit Assistance
- R.** Texas Capital Fund Infrastructure Program
- S.** Texas Capital Fund Real Estate Development Program
- T.** Texas Economic Development Act
- U.** Texas Emerging Technology Fund
- V.** Texas Enterprise Fund
- W.** Texas Enterprise Zone Program
- X.** Texas Industry Development Program
- Y.** Texas Leverage Fund

#### **STATE OF TEXAS SUMMARY OF INCENTIVES & PROGRAMS**

Summary Includes:

- Texas Enterprise Fund
- Emerging Technology Program
- Texas Enterprise Zone Program
- Texas Capital Fund Infrastructure Program
- Texas Capital Fund Real Estate Development Program
- Rural Municipal Finance Program
- State Sales and Use Tax Exemptions
- Chapter 380
- Texas Industry Development Program
- Texas Leverage Fund
- Bonds

- Section 108
- Texas Economic Development Act
- Ad Valorem/Property Tax Exemption
- Economic Development Refund
- Renewable Energy Incentives
- Permit Assistance
- Moving Image Industry Incentive Program
- Economic Development and Diversification In-State Tuition for Employees

**DISCLAIMER:** *The material contained in this Summary of State Incentives is provided for informational purposes only and cannot be construed as a commitment. Assumptions are based on creating jobs and providing a capital investment. Total jobs and capital investment have been included as eligible costs for the various incentive programs available. However, actual jobs and capital investment may vary from the assumptions made due to final determination of program eligibility and site location.*

### **TEXAS ENTERPRISE FUND**

The 78th Texas Legislature established the Texas Enterprise Fund to provide financial resources to help strengthen the state's economy. The Governor, Lieutenant Governor, and the Speaker of the House must unanimously agree to support the use of the Texas Enterprise Fund for each specific project.

Projects that are considered for Enterprise Fund support must demonstrate a project's worthiness, maximize the benefit to the State of Texas and realize a significant rate of return of the public dollars being used for economic development in Texas. Capital investment, job creation, wages generated, financial strength of the applicant, applicant's business history, analysis of the relevant business sector, and federal and local government and private sector financial support of a project will all be significant factors in approving the use of the Enterprise Fund.

### **EMERGING TECHNOLOGY PROGRAM**

The \$200 million Texas Emerging Technology Program is designed to help Texas create jobs and grow the economy over the long-term by expediting the development and commercialization of new technologies and attracting and creating jobs in technology fields that will form the backbone of our economy. The program will work through partnerships between the state, institutions of higher education and private industry to focus greater attention on the research, development and commercialization of emerging technology. The Emerging Technology Program is dedicated to three areas:

1. Regional Centers of Innovation and Commercialization (RCICs). These centers will become concentrated with applied R&D activities, be incubators (including specialized workforce training)

for startup firms and encourage expansion of existing companies resulting from commercializing their developments.

2. Matching grant funds. Applied technology research and development projects that accelerate commercialization into production and have a demonstrated ability to receive or have received

federal grants or non-state grants may apply for matching dollars from the Emerging Technology

Fund. Grants such as Small Business Innovation Research grants, Small Business Technology

Transfer grants, etc

3. Attracting research talent. The state will help Texas public universities attract highly renowned

research teams from universities and institutions in other states.

For more information regarding the application process or funding, please contact Mark Ellison with the

Office of the Governor at 512/463-1472.

### **TEXAS ENTERPRISE ZONE PROGRAM**

Under the statewide cap of 105 projects per biennium a community with less than 250,000 in population may have up to four enterprise projects. A community with 250,000 in population or greater may have up to six enterprise projects.

Upon a community designating a business as an enterprise project, and upon that project's designation being approved by the state, the business would be eligible for the following incentives:

#### **State Sales and Use Tax refunds**

Beginning September 1, 2007 an enterprise project is eligible for a refund for all state sales and use taxes paid and used at the qualified business site. The total amount of any refund will continue to be predicated on investment amount and number of jobs created/retained.

The refund can be an amount ranging from a minimum of \$2,500 per job to a maximum of \$7,500 per job as follows:

1. If project investment amount is greater than \$40,000 and less than \$400,000, then refund amount is \$2,500 per job up to a maximum of 10 jobs created/retained;

2. If project investment amount is equal to or greater than \$400,000 and less than \$1,000,000, then

refund amount is \$2,500 per job up to a maximum of 25 jobs created/retained;

3. If project investment amount is equal to or greater than \$1,000,000 and less than \$5,000,000, then refund amount is \$2,500 per job up to a maximum of 125 jobs created/retained;
4. If project investment amount is equal to or greater than \$5,000,000 and less than \$150,000,000, then refund amount is \$2,500 per job up to a maximum of 500 jobs created/retained;
5. If project investment amount is equal to or greater than \$150,000,000 and less than \$250,000,000, then refund amount is \$5,000 per job up to a maximum of 500 jobs created/retained;
6. If project investment amount is equal to or greater than \$250,000,000, then refund amount is \$7,500 per job up to a maximum of 500 jobs created/retained;

Receipts for purchases of building materials and machinery and equipment and payroll information are required to be retained as part of the audit process. (Note: All contracts should separate the costs for building materials and/or equipment from the costs of labor and services in order to be eligible.)

The refund for sales and use tax must be for all eligible items for use at the qualified business site.

### **TEXAS CAPITAL FUND INFRASTRUCTURE PROGRAM**

The Texas Capital Fund Infrastructure Program is an economic development tool designed to provide financial resources to non-entitlement communities. Funds from this program can be utilized for public infrastructure (water, sewer, roads, etc.) needed to assist a business, which commits to create and/or retain permanent jobs, primarily for low and moderate-income persons. The minimum award is \$50,000 and the maximum is \$750,000. The award may not exceed fifty percent (50%) of the total project cost.

The Texas Department of Agriculture administers the Texas Capital Fund Program. For further details on the program, please contact Karl Young at 512/936-0281.

### **TEXAS CAPITAL FUND REAL ESTATE DEVELOPMENT PROGRAM**

The Texas Capital Fund Real Estate Development Program is designed to provide financial resources to non-entitlement communities. Funds must be used for real estate development (acquisitions, construction and/or rehabilitation) to assist a business, which commits to create and/or retain permanent jobs, primarily for low and moderate-income persons. This program encourages business development and expansions located in non-entitlement communities. The minimum award is \$50,000 and the maximum is \$750,000. The award may not exceed fifty percent (50%) of the total project cost. Funds are provided with no interest accruing and with payments based on a 20-year amortization schedule.

The Texas Department of Agriculture administers the Texas Capital Fund Program. For further details on the program, please contact Karl Young at 512/936-0281.

\*\* Total Texas Capital Fund participation from both Infrastructure program and Real Estate Development program may not exceed \$750,000.

## **RURAL MUNICIPAL FINANCE PROGRAM**

The Rural Municipal Finance Program was created by the Texas Agricultural Finance Authority (TAFA) to stimulate economic activity in rural Texas. TAFA was created in 1987 as a Public Authority within the Texas Department of Agriculture

This loan program is designed for eligible applicants located within rural areas of the state that provide significant benefits for the rural area, and provide evidence of ability to repay the commitments. Applicants can include: city and county governments; economic development corporations; hospital districts; rail districts; utility districts; special districts; agricultural districts; and private water and wastewater corporations.

An applicant must certify to TAFA that:

1. The project is located in a non-metropolitan statistical area (county); or
2. If in a metropolitan statistical area, the project is in an unincorporated area; or
3. Located in a city with a population of under 20,000, that is not adjoining a city or group of cities with an aggregate population of 50,000 or greater.

Loan amounts range from \$50,000 to an amount approved by TAFA's board of directors, but target projects for less than \$1,000,000. Loans may be used for real estate purchase, building construction, site improvements, equipment, water and wastewater systems, municipal infrastructure projects and any other use that can be identified to improve or assist in the economic development of the rural area.

The Texas Department of Agriculture administers the Rural Municipal Finance Program. For further details on the program, please contact Karl Young at 512/936-0281.

## **STATE SALES & USE TAX EXEMPTIONS**

### **Manufacturing Machinery & Equipment**

Leased or purchased machinery, equipment, replacement parts, and accessories that have a useful life of more than six months, and that are used or consumed in the manufacturing, processing, fabricating, or repairing of tangible personal property for ultimate sale, are exempt from state and local sales and use tax. Texas businesses are exempt from paying state sales and use tax on labor for constructing new facilities.

Texas businesses are exempt from paying state sales and use tax on the purchase of machinery exclusively used in processing, packing, or marketing agricultural products by the original producer at a location operated by the original producer.

### **Natural Gas & Electricity**

Texas companies are exempt from paying state sales and use tax on electricity and natural gas used in manufacturing, processing, or fabricating tangible personal property. The company must complete a “predominant use study” that shows that at least 50% of the electricity or natural gas consumed by the business directly causes a physical change to a product.

## **CHAPTER 380**

Section 380.001 of the Local Government Code authorizes municipalities to offer a range of incentives designed to promote state or local economic development. Specifically, it allows for the provision of loans and grants of city funds, as well as the use of city staff, city facilities or city services, at minimal or no charge.

To establish a loan or grant or to offer discounted or free city services, the city must meet the requirements contained in the Texas Constitution and in applicable Texas statutes. Additionally, cities must review their city charters and any other local provisions that may limit the city’s ability to provide such a grant or loan. To determine the latitude of whether a municipality is able to offer a particular incentive or combination of incentives, local communities should consult their city attorney.

## **TEXAS INDUSTRY DEVELOPMENT**

The Office of the Governor Economic Development and Tourism Division hereby gives notice that The Texas Small Business Industrial Corporation is accepting applications for loans to be funded through the Texas Industry Development Revolving Loan program.

The Texas Industry Development Revolving Loan Program, provides capital to Texas communities and eligible 501(c) 3 corporations at favorable market rates. The program supports eligible tax exempt public purpose projects that stimulate economic development within the community. The loans are available with low cost, variable rate long term financing with the term of the loan not extending beyond the useful life of the assets and up to bond maturity in 2025.

Eligible projects must meet the project definition as described in the Development Corporation Act of 1979, the Texas Industry Development Program Guidelines and all appropriate state and federal regulations as applicable to the program. Examples of public projects include: public facilities; community infrastructure (i.e. water, wastewater, drainage, streets); remediation on public land/facilities, and public transportation. Loan

terms are available for participants with a credit rating of an A or above with a term not to exceed December 2025.

A project must be found to be required or suitable for the promotion of economic development as deemed by the Corporation's board of directors in the performance of its public purposes, functions and duties.

A project will not be eligible for funding under the program for moving existing jobs from one municipality or county in Texas to another municipality or county within the state.

Applications will be accepted at any time during a quarterly round. The initial quarterly round will close at 5:00 p.m. June 1, 2006. Application may be found at: [http://www.governor.state.tx.us/divisions/ecodev/ed\\_bank/TID\\_loan\\_program](http://www.governor.state.tx.us/divisions/ecodev/ed_bank/TID_loan_program)

For additional information please contact Donna Weinberger-Rourke with The Office of the Governor Economic Development and Tourism Division at 512/936-6443.

## **TEXAS LEVERAGE FUND**

The Texas Leverage Fund (TLF) is an "economic development bank" offering an added source of financing to communities that have passed the economic development sales tax. Approximately 500 communities in Texas have adopted the local economic development sales tax. EDT may loan funds directly to a local Industrial Development Corporation (IDC) to finance eligible projects. Sales tax revenues pledged by the IDC need only be sufficient to cover projected annual debt service as specified in the Texas Leverage Fund Program Guidelines. This allows cities to leverage their economic development sales tax and to pursue additional projects.

## **BONDS**

### **Sales Tax Bonds**

Sales Tax Bonds do not fall under the volume cap and are eligible to communities that have passed the economic development sales tax. Ineligible projects include for-profit hospitals, multi-family projects and municipal services.

### **Exempt-Facility Bonds**

Bonds can be issued to finance certain facilities such as airports, dock and wharf facilities, mass commuting facilities, high-speed inter-rail facilities, or certain qualified hazardous waste facilities (including certain training and storage facilities). There is no limit on the amount of the issue and these issues do not require a reservation under the volume cap. Although the facility must be governmentally owned, it may be leased or subject to management contracts with the business.

Other types of exempt bonds include projects for water, sewage and solid waste facilities, facilities for the local furnishing of electricity or gas, local district heating or cooling facilities. These types of exempt-facility issues must reserve a portion of the volume cap. Exempt-facility bonds that are not governmentally owned may reserve up to \$25 million in tax-exempt volume cap allocation each year, however, there is no restriction to project size.

### **Tax-Exempt Industrial Revenue Bonds**

Tax-Exempt Industrial Revenue Bonds are designed to provide tax-exempt financing to finance land and depreciable property for eligible industrial or manufacturing projects. The maximum bond amount is \$10 million (which can include certain capital and administrative costs). (On January 1, 2007, the maximum bond amount will increase to \$20 million.) These issues must receive a reservation under the State's volume limitation ("volume cap") managed by the Texas Bond Review Board.

The Tax Reform Act of 1986 imposes a volume ceiling on the aggregate principal amount of "private activity bonds" that may be issued with the State during any calendar year. Generally, the reservation of state ceiling issues is allocated by lottery in October each program year.

For more information on the "volume cap" or the lottery dates, contact the Texas Bond Review Board at 512/463-1741.

## **SECTION 108**

Entitlement communities may access the Section 108 program through HUD. The program allows entitlement communities the ability to borrow funds guaranteed by Section 108 through pledging their current and future CDBG allocations (up to the loan amount) as security for the loan. HUD provides additional security for the loan (as a loan-loss reserve or debt-service) to reduce the exposure of a community's CDBG funds. Economic Development Initiative (EDI) provides grants to local governments that can be used to enhance both the security of loans guaranteed through Economic Development Loan Fund and the feasibility of the large economic development and revitalization projects they finance. The guaranteed amount may be extended up to five times the community's most recent CDBG allocation. Eligible activities include property acquisition; rehabilitation of publicly owned property; economic development activities; installation of public facilities; and other site improvements.

## **TEXAS ECONOMIC DEVELOPMENT ACT**

In 2001, the 77th Texas Legislature enacted House Bill 1200 creating Tax Code Chapter 313, Texas Economic Development Act, to encourage large-scale manufacturing, research and development, renewable energy, nuclear and integrated

gasification combined cycle electric generation facilities capital investment projects in the State of Texas. It requires companies to invest a specified amount of money to qualify for a tax credit and an eight-year limitation on the appraised value of a property for the maintenance and operations portion of the school district property tax. The local school district must elect to participate in order for the Company to recognize this benefit.

The qualifying investment amount is determined on a sliding scale that begins at \$100 million for large urban areas and \$30 million for rural areas. The qualifying investment amount is reduced for areas with a lower tax base.

For detailed information regarding this incentive, please contact Gary Price with the Comptroller of Public Accounts at 512/463-3993.

## **AD VALOREM/ PROPERTY TAX EXEMPTION**

### **Freeport Exemption**

A community may choose to offer the Freeport exemption for various types of goods that are detained in Texas for a short period of time. Freeport property includes goods, wares, merchandise, ores, and certain aircraft and aircraft parts. Freeport property qualifies for an exemption from ad valorem taxation only if it has been detained in the state for 175 days or less for the purpose of assembly, storage, manufacturing, processing, or fabricating. For more information, please visit the following links: Texas Constitution Article 8, Section J:

<http://www.capitol.state.tx.us/txconst/sections/cn000800-01-j00.html>

Administrative Code:

[http://info.sos.state.tx.us/pls/pub/readtac\\$ext.TacPage?sl=R&app=9&p\\_dir=&p\\_rloc=&ptloc=&p\\_ploc=&pg=1&p\\_tac=&ti=34&pt=1&ch=9&rl=415](http://info.sos.state.tx.us/pls/pub/readtac$ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&ptloc=&p_ploc=&pg=1&p_tac=&ti=34&pt=1&ch=9&rl=415)

### **Goods-in-Transit Incentive**

House Bill 621 of the 80th Texas Legislature amends the Tax Code and the Government Code to add an exemption from ad valorem taxation for goods-in-transit.

To qualify for the exemption, personal property used for assembling, storing, manufacturing, processing, or fabricating purposes would have to be acquired in Texas or imported into Texas and stored at a Texas location in which the owner of the goods does not have a direct or indirect ownership interest. The goods-in-transit would have to be transported to another location in Texas or out of state no later than 175 days after the property was acquired in or imported into the state. Oil and gas and their immediate derivatives, aircraft, and dealer's special inventories would not qualify for the exemption.

For more information, please visit the following links:

<http://www.capitol.state.tx.us/BillLookup/BillSummary.aspx?LegSess=80R&Bill=HB621>

<http://www.capitol.state.tx.us/tlodocs/80R/fiscalnotes/html/HB00621F.HTM>

### **Pollution Control Equipment Incentive**

A Texas constitutional amendment providing an exemption from property taxation for pollution control was approved in 1993. The intent was to ensure that compliance with environmental mandates, through capital investments, did not result in an increase in a facility's property taxes. A facility must first receive a determination from the Texas Commission on Environment Quality (TCEQ) that property is for pollution control purposes. That positive use determination is then provided to the local appraisal district, which must accept the TCEQ's decision and grant the property an exemption from property taxes.

To be eligible for a positive use determination, the property must have been purchased, acquired, constructed, installed, replaced, or reconstructed after January 1, 1994 to meet or exceed federal, state, or local environmental laws, rules, or regulations.

For detailed information regarding this incentive, please contact David Greer with the Texas Commission on Environmental Quality at 512/239-5344.

### **ECONOMIC DEVELOPMENT REFUND**

The Texas Comptroller of Public Accounts offers a refund of State franchise and sales/use taxes paid by companies owning certain abated property. A company who meets the following three conditions may apply for a refund:

1. Paid property taxes to a school district on property that is located in a reinvestment zone established under Chapter 312.
2. Is exempt in whole or in part from property tax imposed by a city or county under a tax abatement agreement established under Chapter 312.
3. Is not in a tax abatement agreement with a school district.

The refund is equal to the amount of property taxes that would have been paid had the company entered into a school district abatement agreement with terms identical to the city or county abatement agreement, not to exceed the net state sales and use taxes and state franchise taxes paid or collected and remitted during that calendar year. The refund amount may also be limited by a statewide appropriation per year for this refund program.

For more information and assistance on this incentive, contact the Comptroller of Public Accounts at 800/252-9121 or 512/305-9999.

### **RENEWABLE ENERGY INCENTIVES**

#### **Wind and Solar Energy Tax Exemptions and Deductions**

Tax Code Section 171.056 extends a franchise tax exemption to manufacturers, sellers, or installers of solar energy devices. The state also permits a corporate deduction from the state's franchise tax for renewable energy sources. Business owners may deduct the cost of the system from the company's taxable capital or deduct 10% from the company's income.

Wind energy qualifies under the term "solar energy" for the exemption and deduction under Sections 171.056 and 171.107.

For more information on the tax exemption, visit the State Energy Conservation Office's website at [http://www.seco.cpa.state.tx.us/re\\_incentives.htm](http://www.seco.cpa.state.tx.us/re_incentives.htm) or contact the Comptroller of Public Accounts.

Texas property tax code permits a 100% exemption on the appraised value of solar, wind or biomass energy devices installed or constructed for the production and use of energy on-site.

See Texas property tax Form 50-123, "Exemption Application for Solar or Wind-Powered Energy Devices" to claim this exemption.

Texas also offers a loan program for eligible efficiency technologies. The "LoanSTAR" program is available to schools, hospitals and local governments. The low interest loans are capped at a \$5 million maximum and are required to meet certain technical guidelines including a detailed energy assessment report.

Website: <http://seco.cpa.state.tx.us/lr.htm>

#### **Franchise tax questions**

1-800-531-5441, ext. 5-9952 or (512) 305-9952

#### **Property tax questions**

1-800-531-5441, ext. 5-9806 or (512) 305-9806

### **PERMIT ASSISTANCE**

TCEQ and the Office of the Governor Economic Development & Tourism division have established a relationship to assist companies, which may experience unwarranted delays in their environmental permitting process for projects that could affect job creation or have a high economic impact.

### **MOVING IMAGE INDUSTRY INCENTIVE PROGRAM**

In 2007, the 81st Texas Legislature enacted House Bill 1634 establishing the Moving Image Industry Incentive Program. Under the legislation, grants to promote industry growth in Texas can be made to applicant production companies.

The incentive is available in the form of a production grant equal to 5% of in-state spending, including wages paid to Texas residents. Grants are available upon project completion to features, television programs, television commercials and video games. Both live action and animated projects are eligible. The maximum grant amounts available after September 1, 2007 are:

- \$2 million for features;
- \$2.5 million for television programs (for episodic series, \$2.5 million per season);
- \$200,000 for a commercial, series of commercials or music videos; and
- \$250,000 for video games.

Available for review at the Texas Film Commissions website are the specific eligibility qualifications for projects including investment thresholds, employment requirements and content. Specific incentive enhancements related to underused areas are provided.

Website: <http://www.governor.state.tx.us/divisions/film/incentives/grants.htm>

### **ECONOMIC DEVELOPMENT & DIVERSIFICATION IN-STATE TUITION FOR EMPLOYEES**

The Economic Development and Diversification In-state Tuition incentive may be offered to qualified businesses that are in the decision-making process to relocate or expand their operations into Texas. The incentive allows employees and family members of the qualified businesses to pay in-state tuition fees if the individual files with a Texas institution of higher education. Without this incentive designation, a student must reside in Texas for a 12-month period to be entitled to pay the tuition fees of a Texas resident.